

To: State of Michigan

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Q1. What are Michigan's current Energy Optimization standards, and what was the timeline for compliance? What is the compliance history?

The current Energy Optimization standards are found in Section 77 of PA 295, and require (subject to spending restrictions) that each electric utility achieve first-year electricity savings equivalent to:

- In 2009, 0.3% of its 2007 sales;
- In 2010, 0.5% of its 2009 sales;
- In 2011, 0.75% of its 2010 sales; and
- In 2012, 2013, 2014 and 2015, and, subject to section 97, each year thereafter, 1.0% of its sales in the previous year.

For natural gas utilities, the statute provides that each utility shall achieve similar energy saving targets, starting at 0.1 percent of 2007 sales in 2008-09, and leveling-off at 0.75% of sales each year in 2012-15, and, subject to section 97, each year thereafter.

The utilities' compliance history is detailed in the Michigan Public Service Commission's annual reports to the legislature, which were required under Section 97 of PA 295. The most recent, was issued in November of 2012.¹ On pages 5-6, the Commission reports that, collectively, the ***electric utilities have exceeded their energy savings targets by amounts ranging from 16% to 49% in each of the years 2009, 2010 and 2011, and that in fact, the 2011 savings exceeded even the 2012 savings target. Similarly, the gas utilities collectively exceeded their annual target by 43% in 2009-10 and by 34% in 2011. Appendix C-1 of the MPSC report details the compliance history of each Michigan utility.***

As you can see from the report, among the electric and gas utilities, there were instances where individual utilities fell short of the goals, but the statewide goals have been substantially exceeded, not only by virtue of the fact that the major investor owned utilities have been very successful, but also because many of the smaller municipal utilities have substantially exceeded their targets, and because even those utilities that fell short very often came within close proximity to the target.

¹ Missouri Public Service Commission, Department of Licensing and Regulatory Affairs, ***2012 Report on the Implementation of PA 295 Utility Energy Optimization Programs***, November 30, 2012